

BRIEFING SHEET

Artesian Water Company, Inc.

Application for Authority to Revise Rates and Charges for Water Service

FILING DATE: April 11, 2014

TEST YEAR: 12 months ended December 31, 2013

TEST PERIOD: 12 months ending September 30, 2014

INCREASE REQUESTED: \$9,983,823 increase in annual revenues

PERCENT INCREASE: 15.91% increase in annual revenues

EFFECTIVE DATE: June 10, 2014

RATE OF RETURN: 8.40% overall return, including a 10.90% return on equity

CAPITAL STRUCTURE:

<u>Capital</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
LT Debt	49.46%	5.84%	2.89%
Common	50.54%	10.90%	<u>5.51%</u>
Overall Return			8.40%

REASONS FOR FILING:

- (1) to recover substantial investments to improve and ensure continued water quality and service reliability for customers, including investments for supply and treatment, as well as transmission and distribution improvements;
- (2) to recover increases in various operating costs, including those associated with labor and labor-related costs, purchased water, and Llangollen water treatment;
- (3) to provide the Company an opportunity to earn fair rate of return from its water operations.

BREAKDOWN:

The proposed increase of \$9,983,823 in annual water service revenues is directly attributable to increases in infrastructure, depreciation expenses, and operational expenses, and is necessary to provide the Company the opportunity to earn a fair and reasonable rate of return from operations.